

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Whitefish Township	County Chippewa
Fiscal Year End June 30, 2006	Opinion Date July 27, 2007	Date Audit Report Submitted to State August 28, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
		Zip 49788	
Authorizing CPA Signature <i>Kenneth A. Talsma</i>	Printed Name Kenneth A. Talsma		License Number 1101024989

WHITEFISH TOWNSHIP, MICHIGAN

Basic Financial Statements

June 30, 2006

WHITEFISH TOWNSHIP, MICHIGAN

ELECTED OFFICIALS

Earl Skeans
Supervisor

Wanda Knox
Clerk

Helen Swiontek
Treasurer

Edson Forrester
Trustee

Patrick Graham
Trustee

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
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DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Township Board
Whitefish Township
7052 North M-123
P.O. Box 69
Paradise, Michigan 49678

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining information of the Township of Whitefish, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Whitefish's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 4 to the financial statements, management has not recorded capital assets in governmental activities from prior years and has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effect of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, financial position of the governmental activities of Whitefish Township, Michigan, as of June 30, 2006, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Whitefish Township, Michigan as of June 30, 2006 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2007 on our consideration of the Township of Whitefish Michigan's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedules as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Whitefish Michigan's basic financial statements. The accompanying combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

July 27, 2007

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township, as a whole, and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's net assets increased \$27,458, from a year ago for the governmental activities, due mainly to an increase in charges for services and other revenues received. In a condensed format, the table below shows a comparison of the net asset as of the current year to the prior year.

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2006</u>
Assets		
Current Assets	\$ 414,984	\$ 451,160
Noncurrent Assets	<u>48,484</u>	<u>59,591</u>
Total Assets	<u>\$ 463,468</u>	<u>\$ 510,751</u>
Other Liabilities	<u>\$ 48,084</u>	<u>\$ 67,909</u>
Total Liabilities	<u>48,084</u>	<u>67,909</u>
Net Assets		
Invest in Capital Assets		
Net of Debt	48,484	59,591
Restricted	183,764	215,920
Unrestricted	<u>183,136</u>	<u>167,331</u>
Total Net Assets	<u>\$ 415,384</u>	<u>\$ 442,842</u>

The following table shows the changes of the net assets as of the current date to the prior year.

	<u>Governmental Activities</u> <u>2005</u>	<u>Governmental Activities</u> <u>2006</u>
Program Revenues		
Charges for Services	\$ 60,616	\$ 87,375
Operating Grants and Contributions	3,132	40,838
Capital Grants and Contributions	9,619	7,320
General Revenues		
Property Taxes	237,745	228,359
State Revenue Sharing	39,697	40,389
Unrestricted Investment Earnings	9,770	8,521
Other Revenue	<u>1,435</u>	<u>20,767</u>
Total Revenues	<u>362,014</u>	<u>433,569</u>
Program Expenses		
General Government	112,318	123,763
Public Safety	58,170	22,490
Public Works	72,191	73,578
Health and Welfare	-	62,677
Community & Economic Development	11,619	9,892
Recreation & Culture	33,518	71,600
Other Expenditures	<u>29,990</u>	<u>42,111</u>
Total Expenses	<u>317,806</u>	<u>406,111</u>
Changes in Net Assets	44,208	27,458
Net Assets – Beginning	<u>371,176</u>	<u>415,384</u>
Net Assets – Ending	<u>\$ 415,384</u>	<u>\$ 442,842</u>

The Township's net assets continue to remain reasonable healthy overall.

Governmental Activities

The Township's total governmental revenues increased primarily due to the Township receiving a grant for the Great Lakes Shipwreck Historical Society.

The Township's Funds

Our analysis of the Township's major funds are listed in the audit report, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2006 include the General Fund, Fire Fund, Ambulance Fund and the Library Fund.

The General Fund pays for most of the Township's governmental services. The most significant are for general government activities, which incurred expenses of \$123,763 in 2006 as compared to \$112,318 in 2005. The increase in expenditures was the result of other general government expenditures. These services are supported by the operating millage and State shared revenues. There was a net decrease in the fund balance of \$15,805 for the General fund. The Fire Fund is for the operations and equipment of the fire department which is supported by two special millages, one for operating and the other for equipment. During the year the fund balance in the Fire Fund increased by \$5,901. The Ambulance Fund is for the operations and equipment of the ambulance department. During the year the fund balance in the Ambulance Fund increased by \$23,397 as a result of an increase in the collection of charges for services. The Library is supported by user fees and penal fines with the major expenditures being for services and wages. During the year, the fund balance in the Library Fund increased by \$7,924.

General Fund Budgetary Highlights

Over the course of the year, the Township board amended the budget to take into account events during the year. Of greatest significant was the ability of the board to hold expenditures down in a minimum.

Capital Asset and Debt Administration

At the end of 2006, the Township has a net capital of \$59,591 invested in equipment. To pay for the capital assets, the Township used available funds to continue to be debt free.

Economic Factors and Nest Year's Budgets and Rates

The Township's budget for 2006-2007 will be limited to essential services since the Township is trying to reserve funds to construct an emergency services building. We are experiencing an increase in the sale of property which is increasing the tax revenue as the cap on the taxable value is raised to the current market price of the property.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk's Office at 7052 North M-123, Paradise, Michigan 49768.

Basic Financial Statements

**Statement of Net Assets
June 30, 2006**

	Governmental Activities
<hr/>	
ASSETS:	
CURRENT ASSETS:	
Cash & Investments - Unrestricted	\$ 425,185
Due From State	13,187
Due From County	<u>12,788</u>
Current Assets	<u>451,160</u>
Capital Assets	<u>59,591</u>
TOTAL ASSETS	<u><u>\$ 510,751</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
Accounts Payable	\$ 34,301
Accrued Liabilities	9,649
Due to Other Governments	<u>23,959</u>
TOTAL LIABILITIES	<u>67,909</u>
NET ASSETS:	
Invested in Capital Assets	59,591
Restricted	215,920
Unrestricted	<u>167,331</u>
TOTAL NET ASSETS	<u><u>\$ 442,842</u></u>

Township of Whitefish, Michigan

Statement of Activities For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:					
General Government	\$ 123,763	\$ 10,240	\$ -	\$ -	\$ (113,523)
Public Safety	22,490	837	-	-	(21,653)
Public Works	73,578	20,708	-	7,320	(45,550)
Health & Welfare	62,677	48,737	-	-	(13,940)
Community & Economic Development	9,892	3,256	-	-	(6,636)
Recreation & Culture	71,600	3,597	40,838	-	(27,165)
Other Expenditures	42,111	-	-	-	(42,111)
Total Governmental Activities	<u>\$ 406,111</u>	<u>\$ 87,375</u>	<u>\$ 40,838</u>	<u>\$ 7,320</u>	(270,578)
General Revenues:					
Taxes					228,359
State Revenue Sharing					40,389
Other					20,767
Investment Earnings (Loss)					8,521
Total General Revenues					<u>298,036</u>
Changes in Net Assets					27,458
Net Assets - Beginning					<u>415,384</u>
Net Assets - Ending					<u>\$ 442,842</u>

See accompany notes to financial statements.

Township of Whitefish, Michigan

Balance Sheet Governmental Funds June 30, 2006

	General	Special Revenue Funds			Non-Major Governmental Funds	Total Governmental Funds
		Fire Fund	Ambulance Fund	Library Fund		
ASSETS:						
Cash & Equivalents	\$ 214,072	\$ 34,802	\$ 101,966	\$ 49,165	\$ 25,180	\$ 425,185
Due From Other Funds	2,123	-	-	4,473	-	6,596
Due From State	13,187	-	-	-	-	13,187
Due From County	-	6,394	6,394	-	-	12,788
TOTAL ASSETS	\$ 229,382	\$ 41,196	\$ 108,360	\$ 53,638	\$ 25,180	\$ 457,756
LIABILITIES:						
Accounts Payable	\$ 26,967	\$ 694	\$ 4,593	\$ 1,400	\$ 647	\$ 34,301
Accrued Liabilities	7,128	-	1,325	1,196	-	9,649
Due to Other Governments	22,667	-	-	-	-	22,667
Due To Other Funds	5,289	811	1,609	39	140	7,888
TOTAL LIABILITIES	62,051	1,505	7,527	2,635	787	74,505
FUND BALANCES:						
Reserved	-	39,691	100,833	51,003	24,393	215,920
Unreserved						
Undesignated	167,331	-	-	-	-	167,331
TOTAL FUND BALANCES	167,331	39,691	100,833	51,003	24,393	383,251
TOTAL LIABILITIES AND FUND BALANCES	\$ 229,382	\$ 41,196	\$ 108,360	\$ 53,638	\$ 25,180	
Add: Capital Assets						59,591
Net assets of governmental activities						\$ 442,842

Township of Whitefish, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2006

	Special Revenue Funds				Nonmajor	Totals
	General	Fire Fund	Ambulance Fund	Library Fund	Governmental Funds	Governmental Funds
REVENUES:						
Taxes	\$ 142,801	\$ 23,589	\$ 38,328	\$ 23,641	\$ -	\$ 228,359
License & Permits	2,366	-	-	-	-	2,366
Federal Grants	37,196	-	-	-	-	37,196
State Sources	40,389	-	-	3,642	7,320	51,351
Charges for Services	31,838	837	48,737	3,597	-	85,009
Interest & Rentals	7,906	-	-	615	-	8,521
Other Revenue	2,675	2,865	8,116	6,070	1,041	20,767
TOTAL REVENUES	265,171	27,291	95,181	37,565	8,361	433,569
EXPENDITURES:						
General Government	123,763	-	-	-	-	123,763
Public Safety	3,100	21,390	-	-	-	24,490
Public Works	62,271	-	-	-	11,307	73,578
Health & Welfare	-	-	71,784	-	-	71,784
Community & Economic Development	9,892	-	-	-	-	9,892
Recreation & Culture	41,959	-	-	29,641	-	71,600
Other Expenditures	39,991	-	-	-	2,120	42,111
TOTAL EXPENDITURES	280,976	21,390	71,784	29,641	13,427	417,218
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,805)	5,901	23,397	7,924	(5,066)	16,351
FUND BALANCES - JULY 1, 2005	183,136	33,790	77,436	43,079	29,459	366,900
FUND BALANCES - JUNE 30, 2006	\$ 167,331	\$ 39,691	\$ 100,833	\$ 51,003	\$ 24,393	\$ 383,251

Township of Whitefish, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2006

Net Changes in fund balances – total governmental funds	\$ 16,351
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The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

<u>11,107</u>

Changes in net assets – statement of activities

<u>\$ 27,458</u>

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Current Tax Collection Fund
ASSETS:	
Cash & Cash Equivalents	<u>\$ 22,535</u>
 TOTAL ASSETS	 <u><u>\$ 22,535</u></u>
 LIABILITIES:	
Due to Others	<u>\$ 22,535</u>
 TOTAL LIABILITIES	 <u><u>\$ 22,535</u></u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Whitefish Township (township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Whitefish Township:

A. Reporting Entity

Whitefish Township is located in Chippewa County and provides services to approximately 588 residents in many areas including public safety, highways and streets, general administrative services, and community enrichment and development. The Township is a general law township, and is governed by a five member board elected by the citizens of Whitefish Township. The board consists of the supervisor, clerk, treasurer, and two trustees whom reside in the community.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The Whitefish Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township of Whitefish as of the preceding December 31st.

The 2005 taxable valuation of Whitefish Township totaled \$51,157,773 of which ad valorem taxes levied consisted of 1.5329 mills for the Township operating, .9290 mills for fire and ambulance operating, and .4907 mills for library operating. The millages resulted in property tax revenue of \$78,420, \$47,526 and \$25,103 respectively during the fiscal year ended June 30, 2006. These amounts are recognized in the respective General and Special Revenue Funds financial statements as taxes receivable – current or as tax revenue.

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund

This fund accounts for the Township millage revenue that is reserved for the operation of the fire department.

Ambulance Fund

This fund accounts for the Township millage revenue that is reserved for the operation of the Township ambulance.

Library Fund

This fund accounts for the Township millage that is reserved for the operation of the Library.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the Township reports the following fund type:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand and demand deposits. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) should be reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation. The Township has records of assets acquired after July 1, 2003 to the present time. The current year acquisitions have been recorded as capital outlay and is included on the Township's asset listing. However, these assets have not been recorded as capital assets and the related depreciation expense has not been recorded in the government-wide financial statements contrary to accounting principles generally accepted in the United States of America. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – The Township Board created a budget for fiscal year 2006.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each June, after receiving input from the individual departments, the Board prepares a proposed operating budget for the fiscal period commencing July 1 and lapses on June 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations, which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents – Unrestricted	\$ 425,185	\$ 22,535

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank Deposits (checking, savings, and money market accounts	\$ 425,185	\$ 22,535
Total	<u>\$ 425,185</u>	<u>\$ 22,535</u>

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township does not have an investment policy.

Credit risk. The Township has no investments for which ratings are required.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$335,040 of the Township's bank balance of \$452,140 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 - CAPITAL ASSETS

The capital asset activity of the Township only includes 2004, 2005 and 2006 activity. The capital assets listed do not include all of the capital assets of the township. Township buildings have been owned by the Township for approximately 20 or more years. The depreciation expense was not calculated during the year and has not been recognized as an expense in the government-wide financial statements. The Township did not complete the capital asset listing. It is the intention of the Township to record the capital assets by June 30, 2007.

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Equipment	\$ 48,484	\$ 11,107	\$ -	\$ 59,591
Subtotal	48,484	11,107	-	59,591
Net Capital Assets Being Depreciated	48,484	11,107	-	59,591
Total Capital Assets – Net of Depreciation	<u>\$ 48,484</u>	<u>\$ 11,107</u>	<u>\$ -</u>	<u>\$ 59,591</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Township reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

		DUE FROM OTHER FUNDS					
DUE TO OTHER FUNDS		General Fund	Fire Fund	Ambulance Fund	Library Fund	Other Funds	Total
	General Fund	\$ -	\$ 734	\$ 1,389	\$ -	\$ -	\$ 2,123
	Library Fund	4,473	-	-	-	-	4,473
	Tax Fund	816	77	220	39	140	1,292
	Total	\$ 5,289	\$ 811	\$ 1,609	\$ 39	\$ 140	\$ 7,888

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, errors and omissions, and employee injuries. The township participates in the Michigan Township Participating Plan (MTPP). The plan covers general liability, nonowned/hired automobile liability, errors and omissions, property damage, and inland marine. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 fiscal years.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis. Individual reserves for each participant are unavailable.

NOTE 7 - EXCESS EXPENDITURES OVER BUDGET

Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Expenditures that exceeded appropriations by material amounts were as follows:

	Budget	Actual	Variance
General Fund:			
Public Works	\$ 49,640	\$ 62,271	\$ 12,631
Other Expenditures	36,908	39,991	3,083

NOTE 8 - SUBSEQUENT EVENT

In fiscal 2007, the Township anticipates constructing an emergency services building, which will be financed with \$480,000 of general obligation bonds.

NOTE 9 - RESTRICTED NET ASSETS/RESERVED FUND BALANCE

Net assets and fund balance have been restricted/reserved for the specific purposes of the fund.

Required Supplementary Information

Township of Whitefish, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Taxes	\$ 141,653	\$ 141,653	\$ 142,801	\$ 1,148
License & Permits	2,000	2,000	2,366	366
Federal Grants	50,000	50,000	37,196	(12,804)
State Sources	32,800	32,800	40,389	7,589
Charges for Services	35,500	35,500	31,838	(3,662)
Interest & Rentals	5,800	5,800	7,906	2,106
Other Revenue	6,300	6,300	2,675	(3,625)
TOTAL REVENUES	274,053	274,053	265,171	(8,882)
EXPENDITURES:				
General Government:				
Supervisor	10,225	10,225	8,940	1,285
Elections	4,225	4,225	3,539	686
Treasurer	18,600	18,925	17,548	1,377
Clerk	12,575	13,342	12,076	1,266
Trustees	3,650	3,850	2,469	1,381
Assessor	26,500	27,800	25,835	1,965
Board of Review	1,260	1,260	615	645
Buildings & Grounds	65,583	60,683	25,057	35,626
Cemetary	500	500	420	80
Other General Government	37,150	33,350	27,264	6,086
Total General Government	180,268	174,160	123,763	50,397
Public Safety:				
Liquor Law Enforcement	1,700	3,100	3,100	-
Total Public Safety	1,700	3,100	3,100	-
Public Works:				
Road Maintenance	13,700	13,700	25,283	(11,583)
Sanitation	33,690	35,940	36,988	(1,048)
Total Public Works	47,390	49,640	62,271	(12,631)
Community & Economic Development				
Planning Commission	13,340	13,940	9,892	4,048
Total Community & Economic Development	13,340	13,940	9,892	4,048

Township of Whitefish, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Recreation and Culture:				
Great Lakes Shipwreck Historical Society Grant	50,000	50,000	37,196	12,804
Parks	5,800	5,800	4,763	1,037
Total Recreation and Culture	55,800	55,800	41,959	13,841
Other Expenditures:				
Insurance	26,000	29,600	32,969	(3,369)
Other	9,000	7,308	7,022	286
Total Other Expenditures	35,000	36,908	39,991	(3,083)
TOTAL EXPENDITURES	333,498	333,548	280,976	52,572
EXCESS OF REVENUES OVER EXPENDITURES	\$ (59,445)	\$ (59,495)	(15,805)	\$ 43,690
FUND BALANCE - JULY 1, 2005			183,136	
FUND BALANCE - JUNE 30, 2006			\$ 167,331	

Township of Whitefish, Michigan

Required Supplementary Information Budgetary Comparison Schedule Fire Fund For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 20,891	\$ 20,891	\$ 23,589	\$ 2,698
Charges for Services	-	-	837	837
Other Revenue	10,850	10,850	2,865	(7,985)
TOTAL REVENUES	31,741	31,741	27,291	(4,450)
EXPENDITURES:				
Public Safety	31,711	31,711	21,390	10,321
TOTAL EXPENDITURES	31,711	31,711	21,390	10,321
EXCESS OF REVENUES OVER EXPENDITURES	\$ 30	\$ 30	5,901	\$ 5,871
FUND BALANCE - JULY 1, 2005			33,790	
FUND BALANCE - JUNE 30, 2006			\$ 39,691	

Township of Whitefish, Michigan

Required Supplementary Information Budgetary Comparison Schedule Ambulance Fund For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 36,873	\$ 36,873	\$ 38,328	\$ 1,455
Charges for Services	28,000	28,000	48,737	20,737
Other Revenues	22,020	22,020	8,116	(13,904)
TOTAL REVENUES	86,893	86,893	95,181	8,288
EXPENDITURES:				
Health & Welfare	82,491	82,491	71,784	10,707
TOTAL EXPENDITURES	82,491	82,491	71,784	10,707
EXCESS OF REVENUES OVER EXPENDITURES	\$ 4,402	\$ 4,402	23,397	\$ 18,995
FUND BALANCE - JULY 1, 2005			77,436	
FUND BALANCE - JUNE 30, 2006			\$ 100,833	

Township of Whitefish, Michigan

Required Supplementary Information Budgetary Comparison Schedule Library Fund For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 19,025	\$ 19,025	\$ 23,641	\$ 4,616
State Sources	2,000	2,000	3,642	1,642
Charges for Services	3,500	3,500	3,597	97
Interest & Rentals	-	-	615	615
Other Revenues	46,335	46,335	6,070	(40,265)
TOTAL REVENUES	70,860	70,860	37,565	(33,295)
EXPENDITURES:				
Recreation & Culture	70,860	70,860	29,641	41,219
TOTAL EXPENDITURES	70,860	70,860	29,641	41,219
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	7,924	\$ 7,924
FUND BALANCE - JULY 1, 2005			43,079	
FUND BALANCE - JUNE 30, 2006			\$ 51,003	

Other Supplementary Information

Township of Whitefish, Michigan

Combining Balance Sheet Governmental Funds June 30, 2006

	Special Revenue Funds			Capital Project	Total
	Street Lighting	Airport Donation Fund	Marie Depetro Improvement	Fire/EMS Building Fund	Nonmajor Governmental Funds
ASSETS:					
Cash & Equivalents	\$ 1,503	\$ 10	\$ 12,863	\$ 10,804	\$ 25,180
TOTAL ASSETS	<u>\$ 1,503</u>	<u>\$ 10</u>	<u>\$ 12,863</u>	<u>\$ 10,804</u>	<u>\$ 25,180</u>
LIABILITIES:					
Accounts Payable	\$ 647	\$ -	\$ -	\$ -	\$ 647
Due to other funds	140	-	-	-	140
TOTAL LIABILITIES	<u>787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>787</u>
FUND BALANCES:					
Reserved	716	10	12,863	10,804	24,393
TOTAL FUND BALANCES	<u>716</u>	<u>10</u>	<u>12,863</u>	<u>10,804</u>	<u>24,393</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,503</u>	<u>\$ 10</u>	<u>\$ 12,863</u>	<u>\$ 10,804</u>	<u>\$ 25,180</u>

Township of Whitefish, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non major Governmental Funds For the Year Ended June 30, 2006

	Special Revenue Funds			Capital Project	Total
	Street Lighting	Airport Donation Fund	Marie Depetro Improvement	Fire/EMS Building Fund	Nonmajor Governmental Funds
REVENUES:					
State Sources	\$ -	\$ 7,320	\$ -	\$ -	\$ 7,320
Other Revenue	-	-	-	1,041	1,041
TOTAL REVENUES	-	7,320	-	1,041	8,361
EXPENDITURES:					
Public Works	3,987	7,320	-	-	11,307
Other Expenditures	-	-	-	2,120	2,120
TOTAL EXPENDITURES	3,987	7,320	-	2,120	13,427
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,987)	-	-	(1,079)	(5,066)
FUND BALANCES - JULY 1, 2005	4,703	10	12,863	11,883	29,459
FUND BALANCES - JUNE 30, 2006	\$ 716	\$ 10	\$ 12,863	\$ 10,804	\$ 24,393

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Township Board
Whitefish Township
7052 North M-123
P.O. Box 69
Paradise, Michigan 49678

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Whitefish, Michigan as of and for the year ended June, 30 2006, which collectively comprise The Township of Whitefish's basic financial statements and have issued our report thereon dated July 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Whitefish's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township of Whitefish's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as items 06-1, 06-2, 06-3 and 06-4.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also described to be material weaknesses. However, of the reportable conditions describe above, we consider items 06-1, 06-2, 06-3 and 06-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Whitefish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 06-4, 06-5, 06-6 and 06-7.

We also noted certain additional matters that we reported to management of the Township of Whitefish in a separate letter dated July 27, 2007.

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

July 27, 2007

Financial Statement Findings

MATERIAL WEAKNESSES

Township – Capital Assets Records

Finding 06-1

Condition: The Township does have a list of land, buildings and equipment; however, the individual items have not been assigned dollar values. During the 2003/2004 fiscal year, the Township did establish by resolution a capitalization policy that specifies a dollar value or capitalization threshold that assets must exceed if they are to be capitalized.

Criteria: Accounting principles generally accepted in the United States of America requires that capital assets be included in the financial statements of the governmental activities; and that the capital assets be reported by category and depreciated in accordance with estimated useful lives of the respective assets.

Recommendation: We recommend that the Township take appropriate action to value and update the inventory of capital assets, including accumulated depreciation, and include control totals in the general ledger. Changes in capital assets must be updated at least annually. There should be procedures in place to assure that all capital assets, within the established dollar value, have inventory tags attached to them and tag numbers be indicated on the inventory list.

Posting to Current Tax Collection Fund for Delinquent Taxes

Finding 06-2

Condition: The Treasurer is recording the collection and/or payment of delinquent personal property taxes, delinquent summer taxes and prior tax years board of review changes to taxes in the current tax collections ledger.

Criteria: Only the current year's tax levy activity is to be recorded in the Current Tax Collection Fund.

Recommendation: We recommend that the Treasurer record the activity of other tax years in the funds to which the tax amounts are owing or being collected for. An alternative would be to record the tax information for other tax years in fund 701, Trust and Agency, for subsequent payment to or reimbursement from the respective funds as shown on the supporting tax documentation.

Current Tax Collection Bank Account Reconciliation to Current Tax Ledger

Finding 06-3

Condition: Activity in the current tax collection bank account did not agree with the amounts recorded in the current tax ledger for the 2006 tax levy.

Criteria: Bank reconciliations are to be compared to, and reconciled with, the supporting accounting records.

Financial Statement Findings (Continued)

MATERIAL WEAKNESSES (Continued)

Recommendation: The bank reconciliation process should consist of the following:

1. Checks cleared by the bank should be verified to checks cleared by the Township. For automated bank reconciliation programs, this process would consist of verifying the total of cleared checks per the bank statement (total debits less debit adjustments) to the total of cleared checks per the township system total.
2. Deposits recorded on the bank statements should be verified to deposit records per the Township. This should include a review to determine that deposits were made on the date that the deposit should have been transmitted to the bank. All deposits in transit and any overages or shortages should be properly accounted for.
3. All debit and credit memos reflected on the bank statements should be reviewed and properly accounted for in the Township's accounting records and bank reconciliation.
4. The ending bank statement balance should be reconciled to the book balance of the Township including the identification of all reconciling items (deposits in transit, outstanding checks, overages, shortages, unrecoverd NSF checks, bank service charges, checks cleared in error, bank errors, credit memos, debit memos, purchase of new checks and other items on the bank statement that are not on the township records and vice versa). Reconciling items should be brought to the attention of the bank and responsible Township staff. The items should be properly disposed of, adjusted and eliminated prior to completion of the following month's bank reconciliation.
5. If an unreconciled difference between the bank statement balance and the Township book balance exists, the following guidelines can be used in locating the differences:
 - a. Repeat Steps 1 through 3 above.
 - b. If the cleared checks total per Township records does not agree with the bank total (number 1 above), review the bank statement for checks that may have been cleared by the bank twice or may have been cleared at an amount different that the amount cleared by the Township.
 - c. Examine voided checks making sure that checks voided after the bank reconciliation date (usually the bank statement ending date), but are dated prior to the bank reconciliation date, are reflected as outstanding on the outstanding check list.
 - d. Make sure that NSF checks have been properly reflected in the bank reconciliation, including those from the prior month that have not been recovered. Trace all NSF debits and credits shown on the bank statement to both the prior bank reconciliation and the current month's listing of unrecovered NSF checks.
 - e. Go bank to the prior month's bank reconciliation, cleared checks report, and outstanding check listing and make sure that all reconciling items and adjustments form the prior month were either cleared or have been properly brought forward to the current month's bank reconciliation.

Financial Statement Findings (Continued)

MATERIAL WEAKNESSES (Continued)

6. Unreconciled differences between the bank statement balance and the Township book balance should be resolved on a timely basis. Should an unreconciled difference exist which cannot be found, the unreconciled difference should be properly adjusted through the General Fund's operational budget on a monthly and not less frequently than an annual basis.
7. In order to properly monitor the completion of bank reconciliations on a current basis and to be aware of any unreconciled differences, completed bank reconciliations should be periodically reviewed by Township management.

NONCOMPLIANCE WITH STATE STATUTES

Our examination revealed the following instances of noncompliance with State statutes.

Reconciliation of Accounting Records

Finding 06-04

Condition: The accounting program uses double entry bookkeeping, however, it does not require that both entries are in the same fund. We found that individual funds were out of balance due to single sided entries. Other recording errors are also occurring and not discovered since there is no reconciliation performed on the amounts recorded in the general ledger. A comparison of the amounts recorded in the accounting records of the clerk to the records of the treasurer is not performed by the clerk.

Criteria: MCL 41.65 states: "The Township clerk shall also open and keep an account with the treasurer of the Township, and shall charge the treasurer with all funds that come into the treasurer's hands by virtue of his or her office, and shall credit him or her with all funds that come into the treasurer's hands by virtue of his or her office, and shall credit him or her with all money paid out by the treasurer on the order of the proper authorities of the township, and shall enter the date and amount of all vouchers in a book kept by the township clerk in the office. The Township clerk shall also open and keep a separate account with each fund belonging to the Township and shall credit each fund with the amounts that properly belong to it, and shall charge each fund with warrants drawn on the township treasurer and payable from that fund. The Township clerk shall be responsible for the detailed accounting records of the Township utilizing the uniform chart of accounts prescribed by the state treasurer. The Township clerk shall prepare and maintain the journals and ledgers necessary to reflect the assets, liabilities, fund equities, revenues, and expenditures for each fund of the Township."

Recommendation: The clerk must keep a complete set of accounting records based on source documentation. The records must be reconciled to the treasurer's records.

Financial Statement Findings (Continued)

NONCOMPLIANCE WITH STATE STATUES (Continued)

General Appropriation Act

Finding 06-05

Condition: The budget does not include beginning and ending fund balances for the individual funds.

Criteria: Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for General and Special Revenue Funds. Section 15 of the act also provides the following:

The recommended budget for the General Fund and Special Revenue Funds must include for each fund:

- Actual expenditures for the most recently completed fiscal year;
- Estimated expenditures for the current fiscal year (to be arrived at by using actual expenditures to date and estimating expenditures to the end of the fiscal year);
- An estimate of the expenditures in the next fiscal year;
- Actual revenue for the most recently completed fiscal year;
- Estimated revenue for the current fiscal year (to be arrived at by using actual revenue to date and estimating revenue to the end of the fiscal year);
- An estimate of the revenue in the next fiscal year;
- Beginning and ending fund balance for each year;
- An estimate of the amounts needed for deficiency, contingent, or emergency purposes;
- Other data relating to fiscal conditions that the chief administrative officer considers to be useful in considering the financial needs of the local unit.

The total estimated expenditures in the budget (including an accrued deficit), shall not exceed the total estimated revenues (including an available unappropriated surplus), the proceeds from bonds or other obligations issued under the fiscal stabilization act, or the balance of the principal of these bonds or other obligations.

Recommendation: We recommend that a balanced budget be prepared in accordance with Public Act 2 of 1968, as amended, and a copy of the budget be included in the minutes. The budget should include beginning fund balance, revenues, expenditures, ending fund balance, and not create a deficit position for the fund.

Expenditures in Excess of Appropriations – Township’s Budgetary Funds

Finding 06-06

Condition: Our examination of procedures used by the Township to adopt and maintain operating budgets for the Township’s budgetary funds revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the “Uniform Budgeting and Accounting Act.”

The Township’s fiscal year ending June 30, 2006 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level and Special Revenue Funds at the fund level. Additional detail is provided for informational purposes only.

Financial Statement Findings (Continued)

NONCOMPLIANCE WITH STATE STATUES (Continued)

As detailed in Note 7 to the financial statements, actual fiscal year ending June 20, 2006 expenditures exceeded the Township board's approved budget allocations for two General Fund activities.

Criteria: The expenditures of funds in excess of appropriations is contrary to the provisions of Section 17 of Public Act 2 of 1968.

Recommendation: We recommend that the Township's chief administrative officer (Township Supervisor), the board and administrative personnel responsible for administering the activities of the various funds of the Township develop budgetary control procedures which will ensure that expenditures do not exceed amounts authorized in the General Appropriations act or amendments thereof. These procedures should include a requirement that each Township department head be responsible for monitoring the budgetary status of his or her activity(ies) monthly. Department heads should also be required to make formal requests to the Township supervisor for budget amendments prior to incurring expenditures in excess of board authorized amounts.

Treasurer – Failure to Distribute Taxes in a Timely Manner

Finding 06-07

Condition: We found that the Tax Collection Fund has undistributed taxes owing to various local governmental units as well as the General Fund. The amounts in the Tax Collection Fund are from the 2001 and 2004 tax levies.

Criteria: MCL 211.43 states that taxes collected shall be distributed within 10 business days after the first and fifteenth day of each month.

Recommendation: We recommend that all taxes be distributed as stipulated by law. The Township should research the payments made to local units for the 2001 and 2004 tax levy from both bank accounts and determine to whom the money in the tax account is owed. There should only be a small imprest amount in the tax account, from the General Fund, to keep the bank account open.



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

Township Board
Whitefish Township
7052 North M-123
P.O. Box 69
Paradise, Michigan 49678

We have audited the financial statements of Whitefish Township for the year ended June 30, 2006, and have issued our report thereon dated July 27, 2007. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Whitefish Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Whitefish Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process. Significant audit adjustments were made to correct various errors. In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's basic financial statements or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

Policy Manual

We encourage the Board to continue to develop and adopt appropriate policies for procurement, conflict of interest, credit card usage, etc., in order to achieve compliance with federal and state requirements.

Receipts

There were two receipts that were numbered differently in the General Ledger than the actual receipt. #2893 and #3163 were the numbers in the General Ledger and the receipts were actually numbered #2894 and #3166, respectively. We recommend that all receipts are correctly numbered on the General Ledger and match their respective receipt numbers.

Tax Collection System

During the testing of the Tax Collection System, several items of concern were noted. They are as follows:

1. The Treasurer alone handles the receiving, recording, and distributing of tax monies.
2. Tax payments received are not recorded in the General Ledger.
3. Only a single signature (that of the Treasurer) is required on the checks issued from the township tax collections checking account.
4. Images of check disbursements are not maintained or even received by the township

5. The receipting and disbursements of tax monies are not recorded in the main township computer system. Instead, these transactions are recorded only on a computer that is maintained at the Treasurers desk and is protected by a password that is not known by any other person. Only the Treasurer can access these records.

The above listed items are of concern because they do not facilitate the proper level of segregation of duties and internal controls.

We recommend that the following changes be implemented as soon as possible:

1. Separate the duties of receiving, recording and distribution of tax monies between two or more Township personnel. No single person should be allowed to fulfill all three duties.
2. All receipts and financial transactions should be recorded in the General Ledger.
3. All checks issued from Township accounts should require 2 authorizing signatures, without exception, and these signatures should be from people of equal authority. (Not people in a supervisor/subordinate position).
4. Images of canceled checks should be either maintained at the Township office, or be accessible via internet.
5. Any transactions involving Township monies should not be maintained in a computer system that is not accessible to Township Officials. The records of financial transactions should be maintained on the main Township computer.

Payroll

During our test of the payroll system, the following exceptions were noted. There were no I-9 or New Hire Forms completed on any employees. These missing forms were discussed with the Clerk, who was unaware of the requirements. She immediately set about correcting the situation. Our testing also showed that a canceled check/image was missing from a bundle of canceled checks, although the check was recorded as canceled for the proper amount on the bank statement. The reason for the missing check was unknown.

Fraud Policy

With the implementation of Statement on Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

Check Copies

Due to changes in bank practices, the Township does not receive canceled checks. The Township should contact the bank to obtain, "imaged" checks to assure compliance with state retention policies and to assure proper clearing of amounts by the bank.

Conclusion

This information is intended solely for the use of the Board of Trustees, federal awarding agencies, pass through entities, and management of Whitefish Township and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

July 27, 2007